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# The AGRICULTURAL OUTLOOK DIGEST

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Good business in prospect for the next few months is expected to keep consumer income at record levels.

Demand from consumers, business and the government is strong. Prospects that investment by businessmen and construction activity will continue high and that defense spending will increase further indicate that demand will continue strong.

To supply the active market, factories have been turning out large quantities of goods. Employment in January was a record for the month. Supplies have increased sufficiently to hold retail and wholesale prices of most industrial products fairly stable the last 4 months.

In contrast farmers' prices have continued downward. The index again dropped off a little from mid-January to mid-February. Chief declines were made by cattle, eggs, milk, potatoes, wheat and corn. Hogs, cotton and some other commodities rose. The index is now 16% below the peak of February, 1951 but 6% above June, 1950, just before the Korean outbreak.

Prices paid by farmers including interest, taxes and wage rates also eased lower and in mid-February were about 3% below the peak reached in April and May last year. Most of the decline in recent months was in feed and livestock--products farmers purchase from other farmers. Prices of industrial goods farmers buy--motor supplies, motor vehicles, farm machinery, farm supplies, fertilizer and lime and building materials--all averaged at or near peak levels in early 1953. Wage rates are the highest on record as are interest and taxes.

Family living costs also are close to the record level of mid-1952, though food prices have dropped off in recent months.

The much greater decline in prices received than in prices paid reduced the parity ratio to 94 by mid-February, lowest since June, 1941. A year ago, farmers' prices were exactly at parity.

**LIVESTOCK AND MEAT** The weather is an important key to the cattle price outlook this year. The number of cattle went up 5.9 million head last year to a record 93.7 million head on January 1. Though cattle marketings have increased, hog marketings are down. This should help strengthen the cattle market. More price stability than in 1952 is expected unless drought or other weather hazards speed marketings as happened last summer and fall.

Dry weather has continued to limit feed from pastures in the Southwest and the southern part of the great plains. If weather in these areas continues dry or the drought spreads to other areas, demand for cattle to go on grass this spring would be reduced.

**DAIRY PRODUCTS** In contrast to the cattle situation, weather was unusually favorable for milk production this winter. With farmers feeding concentrates liberally and the number of milk cows increasing, output reached the highest annual rate on record in December; was nearly as high in January.

Increased production was mainly responsible for the price declines of the last few months. The increased output is going into manufactured products and the blend price is somewhat less than last year. Prices of most manufactured dairy products have declined and are below the levels of February 1952. Support purchases of butter, cheese and nonfat dry milk have been large.

This spring, the rate of milk production probably will increase less than seasonally but the total for 1953 is expected to top the 115.1 billion pounds of 1951.

The Secretary of Agriculture has announced that dairy product prices will be supported at 90 percent of parity in the year beginning April 1.

**POULTRY AND EGGS** Poultrymen reported to BAE in February that they intend to raise 4% fewer chickens than last year. However, the egg-feed price ratio is much more favorable to egg producers than last year. In most past years, a sharp improvement in the ratio has been accompanied by an increase in the number of chickens raised.

Turkey growers also plan to cut production this year. They reported in January that they intend to reduce output of small turkeys 23% and large turkeys 3%. In recent years, turkey crops have been larger than indicated by farmers' intentions.

FATS AND OILS Lard prices reached a 12-year low in January, have moved up sharply since, but are still comparatively low. Further increases are likely as production drops off with the decline in hog slaughter. Prices of edible vegetable oils averaged about the same in both January to February. Supplies are at record levels but about 35% of the output of cottonseed oils expected for this year has been tendered to CCC under the support program.

FEED Feed grain prices in mid-February averaged 12% below a year earlier, the lowest of the season. Corn prices continued below the support level. By mid-January, about 170 million bushels had gone under loan, much more than in either of the last 2 years. In addition, CCC owned about 270 million. Farmers have until May 31 to place corn under loan.

Stocks of feed grains per animal unit were 5% above a year earlier on January 1.

WHEAT Not much "free wheat" will be in the 560-575 million bushel carryover expected next July 1. Farmers had placed about 375 million bushels from the 1952 crop under support by January 15; more went under support before the January 31 deadline. In addition, on February 5 CCC owned 125 million bushels acquired from previous crops.

The large quantities going under loan have reduced supplies available for sale. This is expected to strengthen wheat prices in the next few months.

FRUIT Considerably more oranges and grapefruit were used through February 1 than in the same part of last season. Since the 1952-53 orange crop is about the same as last year's and the grapefruit crop moderately smaller, considerably less of each fruit remains to be marketed. This points to further increases in prices in March and April.

VEGETABLES The production in prospect for 7 fresh vegetable crops for spring harvest is 7% above 1952 and 11% above the recent 3-year average. Sharpest increases are shown by broccoli, cabbage and onions. On the other hand, acreages of cauliflower and shallots were down considerably.

Output of fresh vegetables in the first quarter of 1953 is estimated to be 7 percent above a year earlier. Prices are expected to average somewhat lower than a year earlier.

Farmers plan a 4 percent increase in potato acreage over last year for the intermediate and late States. Average yields on such an acreage would result in substantially more potatoes than last year. Sharp increases in the spring areas also are expected. The supply prospects indicate lower prices for potatoes in 1953 than in 1952.

COTTON Cotton prices have levelled off after declining steadily from August through mid-January. In mid-February, the average received by farmers for American Upland was 30.19 cents, compared with 36.88 a year earlier. On February 20, 1,805 bales were under CCC loan compared with 413 on about the same date last year.

An increase in the rate of exports is expected in the next few months. From August through December, exports totaled 1,447 bales, about half those to about the same date of 1952.

WOOL Consumption of wool has been increasing slowly since the first quarter of last year. Mill stocks of raw wool have declined and inventories in manufacturing and distribution channels are smaller than usual.

Prices to U. S. growers in 1953 may average a little higher than in 1952. Wool production in the U. S. this year is expected to be about the same as in 1952 but world supplies are up.

TOBACCO The high employment and consumer income in prospect this year is expected to keep U. S. demand for tobacco firm. Consumption of cigarettes, cigars and snuff probably will be as large or larger than in 1952, smoking tobacco consumption about as large but use of chewing tobacco probably will continue to drift lower.

The export outlook is uncertain. On the favorable side: Stocks of U. S. tobacco in western European countries are low compared with use; U. S. type cigarettes are preferred in many countries; the gold and dollar reserves of the sterling area have improved. On the other hand, gold and dollar reserves abroad are still limiting imports from the U. S.; some countries have placed import restrictions on U. S. tobacco; and production abroad has increased.

